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ENGLISH

APPROVAL OF UNCDF ASSISTANCE TO A PROJECT OF UGANDA

IPF:(1992-96) $ 74 120 000
(UGA/91/C02) - West Nile Credit Project

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Date of approval by the AC:[1]	26 August 1992
Expected duration:	Five years
Proposed executing agency:	Government Centenary Rural Development Trust (CERUDET)
Implementing agents:	CARE INC., UNDP/OPS
Proposed UNDP contribution:	$3 106 300
Source of funds:	UNCDF General Resources

Project background

The West Nile region of Uganda borders the Sudan and Zaire and covers the districts of Nebbi, Arua and Moyo. Although the economic situation in the region is essentially characterized by subsistence farming, there is a small but industrious enterprise sector in the towns or Arua and Nebbi. A conservative estimate suggests a minimum current enterprise population of between 8,000-9,000 non-farm businesses in Arua and Nebbi. The abundance of raw materials, the availability of labour and a trading history in the area combine to lay the foundation for economic recovery.

Credit and extension work is expected to stimulate this basis, however, as interventions in the area of credit in Africa prove, the lack of a strong institutional base means that any program will have to devote sufficient resources both in terms of funds and time to reach a certain level of performance. As to the implementation arrangements, there are precedents in Uganda that establish church groups as effective vehicles of grass roots assistance. In the case of the Centenary Rural Development Trust (CERUDET), it has a good track record, specifically when it comes to reaching women clients in any significant way.

Description of project

The long-term objective of the project is to increase the income of small and micro entrepreneurs and farmers in the West Nile region in support of the economic development strategy specified in the Government's Development Plan (1991-1994).

The immediate objectives of the project are to: (a) increase the availability of savings and credit services to men and women engaged in micro and small economic activity in the target area; (b) establish effective and efficient operations in CERUDET; and (c) develop lending methodologies which cater to the needs of the project's urban and rural

[1] This Fact Sheet reflects the status of the project/revision at the time it was approved by the Action Committee; modifications to the project/revision may have occurred subsequently.

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target groups.

Project activities will include: (a) establishment of a Credit Facility whereby the project will develop and test three different methodologies to reach three separate target groups: group lending for the most "micro" of entrepreneurs, lending through existing industry and trade associations for those who need larger sums of money but cannot meet traditional collateral requirements and CERUDET's traditional individual lending for qualified applicants; (b) Institutional Development of CERUDET under the supervision of CARE whereby a CERUDET bank building will be built in Arua, staff recruited and trained, operational and management systems defined, and a monitoring and evaluation system established; and (c) providing support services to address non-financial needs of CERUDET clients such as sub-sector studies in order to facilitate identification of business opportunities, basic business management skills and technological skills and training. Technical assistance support will be provided through organization s in Uganda and the region.

Inputs

UNCDF will provide capital for establishing operations of a CERUDET branch office in Arua and the capitalization of the revolving fund. The fund will also cover mission expense and costs of technical assistance and support services to be managed by CARE. Counterpart inputs from CARE and CERUDET will be calculated as 20 percent of the total budget for the Arua office and 15 percent of the operation budget of the Kampala office respectively.

The Government, through the Ministry of Women, Youth and Culture will provide staff time to review group lending methodology and coordination of a qualitative study of household economy.

Financial data

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Missions (formulation,monitoring, audit evaluation)	150 000
Subcontract(personnel, equipment & construction, operation & maintenance, training, technical support, Admin. Contractor Support)	1 462 200
Loans & credit	1 150 000
Contingencies	75 400
Agency support costs	130 600
Programme support costs	138 100
Total	3 106 300

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